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## ***FAMILY BUSINESS FORUM***

### **Beating the Succession Planning Blues**

By Donald Levitt

#### **The Issue**

Let's have a show of hands. How many family business owners enjoy succession planning? (Maybe a better question would be – how many ever actually get around to succession planning?)

You're not alone. There are lots of good reasons to avoid succession planning. Most family business owners enjoy being the boss, and don't want to give that up. Others fear that making decisions about how to transfer wealth, ownership and leadership to the next generation will only lead to family conflict.

Unfortunately, in the case of succession planning, procrastination is not a good strategy. Family businesses that don't do succession planning are more likely to have bitter family conflicts following the death of the owner – which endanger the continuity of both the business and the family.

So how can you beat the succession planning blues? Let's find out.

#### **The Expert**

Bradley Delp is a second-generation principal of The Delp Company in Maumee, Ohio. He specializes in estate and business continuation planning and investment planning for individuals and closely held family-owned companies.

Delp advises to not aim for a succession plan that is a once and forever document. "Succession planning is a process, a journey, not a destination," says Delp. "There are changes in life circumstances, business cycles, and economic cycles, and these all factor into succession planning." And the planning process is not just for the owner. Planning is most successful "when there is a tremendous amount of open communication" within the family, says Delp.

What about owners who don't want to give up control? "There is nothing wrong with this" says Delp. "The business is almost like their child, and no one pitches out their kids." Through the use of tools such as trusts and voting and non-voting shares, the owner is able to set-up the family business for future success.

This still doesn't mean that family business owners are necessarily excited about succession planning. "I've had situations when it took every ounce of my patience and

perseverance. But when I and the other professionals working with the business keep focused, we get it done.”

### **The Family Business**

VM Systems, Inc. is a Toledo-based heating and air conditioning subcontractor and the largest sheet metal contractor in Northwest Ohio. It is currently going through the succession process from the senior generation, Ron Gabel, to his two sons Ken and Craig. Cleves Delp, a principal of The Delp Company and Bradley Delp’s brother, has provided guidance to VM Systems during this transition.

“Dad will be at work until he dies,” says Craig Gabel. “He’s planning for the business to be strong 50 years from now.”

“Dad has always done things on his own,” so he doesn’t tend to use advisors, says Craig Gabel. “My brother and I had to ‘pry’ into what Dad was setting up. Dad was open to talk with us about it, and we saw some things that were not set up properly.”

When they started to work with the Delps, “we talked about things beyond anything we would have thought about. And we were willing to talk about the hardest issues” notes Craig Gabel.

In order to allow the founder, Ron Gabel, to pass ownership without losing control, the two sons are given non-voting shares, and Ron controls the voting shares. A third child, who is not involved in the business, is the beneficiary of a life insurance policy on Ron.

“We have also formed a Board of Directors,” says Craig Gabel, “so in the future there will be someone who knows the business and can give us guidance. If Ken and I come to an impasse, this person’s vote can get us past it and help the business survive. We are setting ourselves up to be able to move forward and survive into the future.”

### **The Tip**

There are tools available to help even the most reluctant family business owner to do succession planning without fear. For those who procrastinate – it might be their children who end up singing the succession planning blues.